

Digital-to-Analog Converter Box Coupon Program

Notice #08-07

Sales and Use Tax

August 2008



Highlights

- Sales tax is due on original price of the converter box

- "Sales price" includes third party reimbursements

- The coupon cannot be used to pay sales tax



References:

For information regarding the Digital-to-Analog Converter Box Coupon Program

Visit www.dtv2009.gov
or
Call 1-888-388-2009

INTRODUCTION

This notice is intended to provide taxpayers and the general public with information concerning the applicable sales and use tax due on a digital-to-analog converter box purchased using a coupon provided by U.S. Department of Commerce's Digital-to-Analog Converter Box Coupon Program.

The retailer will compute the sales tax on the original price of the converter box, before deduction of any coupon value. The customer will pay the remaining balance due on the price of the converter box, if any, plus the sales tax computed on the original price of the box.

DISCUSSION

After February 17, 2009, the Federal Communications Commission will require that all full-power television stations in the United States broadcast using digital television technology. Any analog television without cable, satellite or other similar service will no longer be able to receive television programming after that date. Consumers who use "rabbit ears" or a rooftop antenna with an analog television will need a converter box in order to continue to receive broadcast television programming.

To help defray the cost of the converter boxes, the U.S. Department of Commerce's National Telecommunications and Information Administration is administering a coupon program for digital-to-analog converter boxes. The program provides that eligible households may apply for a maximum of two coupons, each worth up to \$40.00, to apply toward the purchase price of eligible digital-to-analog converter boxes. The recipient of the coupon(s) can present the coupon to a participating retailer to claim the price reduction or discount. A list of participating retailers will be provided with the coupon. Only one coupon may be used for each converter box purchased.

For Tennessee sales and use tax purposes, when a purchaser uses a coupon provided by a third party and the third party reimburses the vendor for the value of the coupon, sales tax is computed on the original price of the item before application of the coupon amount. The customer will pay the remaining balance due on the price of the converter box, if any, plus the sales tax computed on the original price of the box. The coupon cannot be used to pay the sales tax that applies to the price of the converter box.

	Example 1		Example 2
Price	\$55.00	Price	\$35.00
Sales tax @ 9.25%	\$5.09	Sales tax @ 9.25%	\$3.24
Subtotal	\$60.09	Subtotal	\$38.24
Less coupon (valued @ \$40):	– \$40.00	Less coupon (valued @ \$40):	– \$35.00
Customer pays	<u>\$20.09</u>	Customer pays	<u>\$3.24</u>

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.